Board

Date: **3 February 2016**

Item: **New Routemasters – Supplementary Information**

This paper will be considered in private

Subject to the decision of the Board, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL.

1 Summary

1.1 This paper contains supplementary information to the New Routemasters paper being considered on Parts 1 and 2 of the agenda to inform the Board's decision.

2 Vehicles ordered to date

2.1 Wrightbus was awarded a contract to supply up to 1,000 NRM vehicles (including initial prototypes) on 23 December 2009, following a competitive process.

2.2 Following the introduction of eight trial NRMs into service in 2012, in September 2012 the Board agreed to purchase 600 NRMs, with the final bus due to be delivered by March 2016.

2.3 On 5 November 2014, the Board approved the case for additional buses and granted additional project and procurement authorities to purchase an additional 200 NRMs, to take the cumulative total to 808 NRMs by mid-2016, although this was subsequently reduced to 805 in line with the contract provisions to match the expected route allocation. The production of these vehicles is almost complete and Wrightbus is due to start closing down the production lines.

2.4 This further order for additional vehicles would complete the original contract with Wrightbus.

3 Commercial proposition

3.1 Further to paragraph 2.4 in the paper on Part 2 of the agenda, Wrightbus has offered a new purchase price of £319,000 per vehicle, which although still subject to negotiation, compares favourably with the £349,500 paid for the last 200 vehicles, approved by the Board in November 2014. This reduces the total

capital cost to £62.2m from the £63.4m included in table 1 in the paper (Agenda Item 21) on Part 2 of the agenda (hereafter referred to as 'table 1').

3.2 This purchase price excludes mid-life refurbishments and other additional costs, including CCTV and telematics, capital items such as additional ticket readers and a second iBus screen, and other costs such as parts and labour for additional maintenance, and the additional costs of cleaning the interior of the bus. These items are costed in table 1.

4 Outline case for additional 195 New Routemasters

4.1 NRMs are becoming a globally recognisable replacement for their iconic predecessor and have been used to promote UK technology, manufacturing and design excellence abroad.

4.2 NRMs are helping to improve customer satisfaction. In 2014, customer satisfaction for passengers on NRMs was on average three points higher than for standard double deck buses (87 compared to 84), including a three point improvement in both 'vehicle average' and 'journey average'.

4.3 The order of an additional 195 NRMs will complete the original maximum contract with Wrightbus of up to 1,000 vehicles. On completion of the order TfL would have a licence from Wrightbus in relevant intellectual property to allow any manufacturer to produce identical designs of the NRM for use in London, but which incorporates their latest engine and hybrid technology, thereby ensuring that any further expansion of this iconic fleet delivers maximum environmental benefits. TfL already has the IPR in the overall "look and feel" of the NRM and in specific interior and exterior features and the IPR to be able to produce and sell NRM-related merchandise.

Operating costs

4.4 The risk of ownership of buses is normally transferred to the operator, who may then transfer it to a leasing company. The cost of ownership is paid by TfL as a revenue item through the periodic bus contract payments. This cost will be excluded from contract bids for routes operating with NRM vehicles, as per table 1.

4.5 Additional costs are expected, due to replacement of the Microvast batteries every three years. As part of the ongoing renegotiation, Wrightbus has offered, subject to the order being increased to the full 1,000 NRMs, to reduce this cost by around 20 per cent of that included in table 1. This would also apply to the existing order of 805 buses, giving an additional saving of around £7m at 2015/16 prices, not shown in table 1.

4.6 Fare evasion varies considerably by area of London. However, as with other routes operating with open boarding, this fare evasion risk will be managed accordingly within TfL's existing contingent of Revenue Protection Inspectors and their effective tasking.

Economic and social benefits

4.7 Although at Euro V there was and is a fuel saving for NRM, due to market stimulation driven by the original NRM, engine and hybrid technology has progressed at such a rate that all Euro VI hybrid technology, including the NRM, emit significantly reduced emissions of NOx and PM compared with Euro V, with all buses operating with similar fuel consumption. NRMs can still be seen as a market leader and introduction of a further 195 vehicles would lead to the oldest and most polluting buses in the fleet being withdrawn.

Delivery

4.8 Delivery of the additional 195 vehicles would be through one production line, and be complete by January 2018.

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